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Lynch, John

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National Finances and a Resumption of Specie Payments.

SPEECH

OF

HON. JOHN LYNCH,

OF MAINE,

DELIVERED

IN THE HOUSE OF REPRESENTATIVES.

MARCH 7, 1868.

WASHINGTON:
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National Finances and a Resumption of Specie Payments.

The House being in the Committee of the Whole on the state of the Union—

Mr. LYNCH said:

Mr. SPEAKER: The present condition of our national finances largely absorbs public attention. Various and very important questions relating thereto are agitated in the country and in Congress. The present situation is admitted on all hands to be unsettled and unsatisfactory. All desire and expect a change, and in the main it is agreed that the change to be made should be a change from an irredeemable paper currency to one redeemable in gold and silver; that we should reëstablish for our currency the recognized standard of value of other nations by a resumption of specie payments. In the interest of this change I propose now to speak, and shall endeavor to show that something, that much, may at once be commenced and carried out to bring about the desired result.

I do not propose at this time to discuss the question as to whether our five-twenty bonds are payable in currency or coin; for this question I regard as of really no practical importance. Of no practical importance, I say, for our currency is to be made redeemable in coin, is to be redeemable in gold and silver according to the national promise borne upon its notes, and a currency redeemable in gold is the equivalent in gold—as good as gold itself. Nor is our financial condition to be improved by attempting at this time to fund in new form our public debt; for we cannot advantageously fund our debt until our credit is improved. Our credit is now in the markets of the world at thirty per cent. discount; our best bonds are worth, where they sell for gold, only about seventy cents on the dollar. Before we attempt a new loan, for the purpose of retiring the old one, we must first of all bring the value of our currency, which fixes the value of our bonds, to a par with gold and silver.

I believe our present financial condition may be immediately improved, and shall attempt to show how it may be done. In order, however, to do this the more successfully, it is necessary that I call the attention of the House to the means by which the present situation was reached. A review of the financial policy adopted at the close of the war, and continued nearly to the present time, may make plain and lead us to avoid, in the new policy about to be adopted, the mistakes and errors of the old, which I trust has been at length finally discarded.

Mr. Speaker, on posting the books at the close of the rebellion the nation found itself a debtor to the amount of nearly three thousand million dollars, but with unlimited resources, while its creditors were willing to accept the lowest rate of interest for the longest term of payment. The withdrawal of a million of men from the pursuits of labor, and the demand for material to sustain them and to supply the destructive consumption of war, had stimulated every branch of productive industry and quickened all the currents of trade. Accumulated stocks of merchandise had been greatly reduced; prices were consequently high and labor in active demand; in fact, more fully employed and better remunerated than ever before in the history of the country. The disbursements of the Government had reached every corner of the land, and replenished the pockets of the humblest of its citizens. The people had become more free from debt than ever before. They also had for the first time a sound national currency; not a mere repre-

sentative of the indebtedness of the people to each other, but the evidence of an actual loan by the people to the Government, and although not immediately redeemable in gold amply secured by the indorsement of the nation's faith. With the return of peace, confidence in the future was restored. The great army of consumers and destroyers was rapidly changed into an army of producers; the price of gold went steadily down from one hundred and eighty to twenty-five per cent. premium, and the laws of trade were fast settling the business of the country on a solid foundation.

But, sir, notwithstanding this prosperous condition of the country, it was contended by many financial writers that our apparent prosperity was a delusion—our supposed wealth a sham; that the legal-tender currency of the Government, which had hitherto answered all the purposes of money, which had carried us through the war, and operated so wonderfully in developing our resources and stimulating the industry of the country, would become worthless if it remained in circulation; consequently, it must be retired, and bonds bearing interest must be substituted in its stead. This currency would, if not retired, we were gravely told, become as worthless as the continental money of the American Revolution, or the assignats of France. But, how the Government, unable to pay notes bearing no interest, would be better able to pay them changed into notes bearing interest, I think the advocates of this policy never condescended to explain. It was further contended that it was necessary to check business by withdrawing the means necessary to its prosecution; to reduce the price of merchandise by reducing the cost of labor essential to its production—all this in order that speculation and the financial convulsions, which naturally follow in the wake of speculation, might be prevented. In other words, it was deemed necessary that the business of the country should be placed under the guardianship of the Government to prevent its self-destruction.

The present Secretary of the Treasury first publicly foreshadowed the financial policy of his administration in his celebrated Fort Wayne speech in October, 1865. The principal feature in this policy was the contraction of the currency, for the avowed double purpose of returning to specie payments and exercising such control over the business of the country as to prevent a financial collapse. The adoption of this policy was urged in the first annual report of the Secretary of the Treasury, submitted to the Thirty-Ninth Congress on its assembling in December, 1865. In that report, speaking of the acts authorizing the issue of United States notes, (greenbacks,) the Secretary says:

"But these acts should be regarded as only temporary, and the work of retiring the notes issued under them should be commenced without delay, and carefully and persistently continued until all are retired."

Speaking of the condition of the country, he says:

"If the business of the country rested upon a stable basis, or if credits could be kept from being still further increased, there would be less occasion for solicitude on this subject. But such is not the fact. Business is not in a healthy condition; it is speculative, feverish, uncertain. Every day that contraction is deferred increases the difficulty of preventing a financial collapse. Prices and credits will not remain as they are. The tide will either recede or advance; and it will not recede without the exercise of the controlling power of Congress."

And then recommends:

"1. That Congress declare that the compound-interest notes shall cease to be a legal tender from the day of their maturity.

"2. That the Secretary be authorized, in his discretion, to sell bonds of the United States, bearing interest at a rate not exceeding six per cent., and redeemable and payable at such periods as may be conducive to the interests of the country, for the purpose of retiring not only compound-interest notes, but the United States notes." * * * * *

It will be observed that the policy here announced had not for its object the funding of the public debt nor the providing of ways and means for the support of the Government. The avowed object in adopting this policy was to regulate and control the business of the country by a discretionary power to be exercised by the Secretary of the Treasury.

At any other time in our history previous to the rebellion the bare proposition to place the whole business interests of the country under the supreme control of an officer of the Government, by granting him unrestricted power over the currency, and thus enabling him to effect at will all values, the price of merchandise and of labor, the value of stocks and of debts, would have startled and alarmed the country, and would scarcely have received the support of a single vote in Congress. But, sir, so accustomed had we become to the exercise of large discretionary powers by the Government during the war that we had come to accept unquestioned any policy it might adopt. Strange as it may now appear, in the light of subsequent experience, this policy of the Secretary of the Treasury was, on the 8th day of December, 1865, indorsed by this House in the passage of the following resolution, with but six dissenting votes:

Resolved, That this House cordially concurs in the views of the Secretary of the Treasury in relation to the necessity of a contraction of the currency, with a view to as early a resumption of specie payments as the business interests of the country will permit; and whereby pledge cooperative action to this end as speedily as possible.

This decided indication that Congress would adopt this policy of allowing the Secretary of the Treasury to contract the currency at discretion had a very disastrous effect upon the business interests of the country. Business experience and sagacity were no longer to be of any avail in calculating the chances of the future, as neither the laws of trade nor even the laws of the land were thereafter to govern business, but all was to be left to the will or caprice of a single man.

As might have been expected, confidence in the future was destroyed. New enterprises were abandoned and all business operations curtailed. As money was to be made dearer and merchandise cheaper, men kept their money for the rise instead of using it to produce merchandise, which was to fall. Capital accumulated in the financial centers, and was loaned at low rates of interest on call, stimulating stock speculations and gold gambling, occupations which thrive on the very uncertainties and fluctuations that are distinctive to all legitimate trade.

Following out the implied instructions of the House, as indicated in its vote on the resolution referred to, the Committee of Ways and Means reported the loan bill, a bill conferring upon the Secretary of the Treasury unrestricted power over the currency, and with the authority, already exercised by him, secretly to sell gold, placing all the business interests of the country absolutely under his control. This bill was, after a very full discussion, defeated on the 16th of March, 1866, by a vote of 70 to 65. The disastrous effects of the threatened contraction of the currency upon business had become so apparent as to change public opinion in regard to its policy, and to increase against contraction to 70 the vote of 6 which was found at the commencement of the session.

A bill was subsequently reported authorizing contraction to the amount of $10,000,000 for the first six months after it went into operation, and at the rate of $4,000,000 per month

thereafter, and passed this House by a vote of 83 to 53, with forty-seven members absent and not voting. It is a significant fact that the Republican members were equally divided upon the bill, while the other side of the House, regarding it as an Administration measure, voted for it in a solid body. Since that time, however, those gentlemen have swung round the circle, and are now the advocates of unlimited inflation. This bill, passing the Senate and being approved by the President, became law, and contraction of the currency the controlling measure of our financial policy.

Coupled with this measure of contraction, and as a part of the same policy, was that of making immediately large payments in reduction of the public debt. The Government appears to have determined upon the experiment of testing the amount of strain the business of the country could bear without breaking. The volume of currency in circulation among the people as their means of payment was to be diminished, sensibly, rapidly diminished; but there was to be no diminution of the amount of taxes which the Government would compel the people to pay. Money was to be made more scarce and thus dearer; but taxation was to exact the same enormous amount as when the currency had been, to use the phrase of the contractionists, as redundant and cheap.

In carrying out this policy contraction of the currency and overtaxation of the people were made to work together, and in one year more than one hundred million dollars of the currency were retired, while in the same time there were paid off, by means of heavy taxation, more than one hundred and eighty million dollars of the public debt. In the fiscal year ending June 30, 1867, were drawn from the people in taxes $450,000,000, or above $150,000,000 more than was necessary to provide for the current expenses of the Government and the interest on the public debt.

With what effect, Mr. Speaker? What effect on the currency? Was that appreciated by this great reduction of its volume? Was the purchasing power of our paper money made to increase in proportion as its gross amount was diminished? As our currency grew scarce did it draw nearer to gold in value? With what effect, also, upon the annual burden of interest which our immense national debt trails after it? Was that burden reduced by the

large payment toward the principal which was made only by means of heavy taxation? Strange as it may seem, neither desideratum was attained by this policy, which was adopted as the sure and only means of attaining both. The value of our paper money did not go up, nor did the amount of annual interest go down, in consequence of this great contraction of the currency and this large reduction of the public debt.

On the contrary, both the premium on gold and the interest on the public debt had meanwhile increased, as the following figures show:

On the 23d of March, 1866, the day on which the loan bill, authorizing contraction at the rate of $4,000,000 per month, passed this House, the public debt was	$2,785,646,516
On the 1st day of April, 1867, it was	2,623,428,070
Reduction of the debt	$162,218,446
On the 23d of March, 1866, the interest on the debt, when reduced to currency, amounted to	$160,815,438
On the 1st of April, 1867, it amounted to	170,302,814
An increase of the annual interest of	$389,376

A reduction of the debt of over $182,000,000 and an increase of the annual intcrest of more than half a million dollars.

On the 23d of March, 1866, the premium on gold was twenty-eight per cent. On the 23d March, 1867, it was thirty-five per cent., an increase of seven per cent., or twenty-five per cent. of the previous premium, and an increase of over half a million dollars to be paid in annual intcrest.

Thus we see that after burdening the industry of the country with taxation to effect the payment of the above one fifteenth of the public debt in a single year, and paralyzing business by withdrawing more than one hundred million dollars from the channels of trade, we were indebted to the public creditor on the debt thus reduced, by way of annual interest, over half a mill on dollars more than before; and instead of reducing the margin between gold and our paper currency, and thus approximating toward a resumption of specie payments, we increased that margin twenty-five per cent. Do not these facts prove that a policy productive of such results is not a wise one, and that contraction is not the road to resumption?

Mr Speaker, when the loan bill was under discussion in this House, in March, 1866, I took occasion to say:

"The laws of trade and the restoration of confidence are by nature as steadily and surely to a resumption of specie payments; any attempt to force a resumption by legislation will defeat the object; that confidence upon which a permanent resumption of specie payments must rest will neither be engendered nor strengthened by legislative tinkering. The last Congress tried an experiment in this direction by passing a law to force down the price of gold; the result was a rapid advance and the immediate repeal of the law."

"It is almost universally admitted that the return to specie payments must be gradual. Suppose, then, that the Government of the United States takes the initiative; not by a contraction of the currency, but by announcing, at as early a day as is practicable, that its legal-tender currency will be redeemed in gold on presentation at the Treasury, and then, to aid the banks in following its lead, let the national banks be allowed to redeem in the legal-tender notes thus put on par with gold by the Government. With the basis of redemption thus broadened it could not be long before the business and the money of the country rested as firmly upon a specie basis as ever."

At that time gold was at a premium of twenty-eight per cent. and declining. In nearly two years that have since intervened it has fluctuated between twenty-six and sixty, and is now about forty per cent. I fully believe that had we then left the currency entirely free from legislative interference, granting to the Secretary of the Treasury no authority to disturb it, and adjusted our revenue laws to the collection of so much revenue as would pay the current expenses of the Government and the interest on the public debt, and no more, the business of the country would have continued in a most prosperous condition; that increased production would have reduced prices generally, and that gold and greenbacks would now be so near to each other in price that the Government could have resumed specie payments at will.

But, sir, it is contended by some, who admit that specie payments can be resumed without contracting the currency, that we should reduce the volume, because the amount in circulation is in excess of the demands of business, and that this excess increases largely the cost of all the necessaries of life, and operates with peculiar hardship on the laboring poor of the country. Are such the facts? Have we more currency than we need?

Among the many theories put forth to sustain the affirmative of this proposition I have seen none more ingenious than that advanced by the gentleman from Pennsylvania [Mr. BROOMALL] in his speech on the currency, and in support of a bill introduced by him at the commencement of the session, in which speech he attempts to prove that we have an excessive amount of currency in circulation, and to measure that excess by the margin which exists between our currency and gold. The gentleman's theory is that having about seven hundred million dollars of paper currency in circulation, and the discount on it measured by the gold standard being thirty per cent., our paper is worth just seventy cents on the dollar, and that the $700,000,000 had a purchasing power of $490,000,000; that we should not increase this purchasing power by adding to the volume of the currency, nor diminish it by reducing, until we reach this point of $490,000,000, which, by this ingenious mode of reasoning, is fixed as the amount actually required at the present time by the business of the country.

This theory, as presented by the gentleman, looks plausible. Let us see how it stands the test of actual experience. In July, 1864, we had, including compound-interest and national bank notes, a paper circulation of about six hundred million dollars. Gold was at a premium of one hundred and sixty per cent. In other words, it took $2 60 paper to buy one dollar in gold; consequently, measured by this standard, our paper dollar was worth at that time thirty-eight and a half cents. On the 1st day of April, 1866, about the time we passed the loan bill authorizing the Secretary of the Treasury to contract the currency, we had about nine hundred million dollars of the same kind of paper in circulation; and $1 26 in paper would buy one dollar in gold; consequently the paper dollar was worth at this time seventy-nine cents. Our currency had been increased fifty per cent., and its value had appreciated one hundred per cent. On the 1st day of April, 1867, with the currency reduced to $800,000,000, it took $1 35 in paper to buy one dollar in gold. Thus we see, in point of fact, within this range of three years, our paper dollar was worth the lowest price in gold when we had the smallest and the highest price when we had the largest amount of paper currency in circulation.

Now, sir, if these facts prove anything, they prove that the premium on gold neither measures the excess of the volume of the paper currency nor establishes the fact that such excess really exists.

Sir, after this signal failure of the gentleman from Pennsylvania to establish a reliable standard by which to measure the amount of currency required by the business of the country, I will not undertake the task otherwise than by the bill which I have introduced for that purpose, and to which I propose to call the attention of the House before I conclude: and this bill does not undertake to regulate the currency, but to allow it to regulate itself by the demands of business from time to time. I will, however, suggest some facts which prove conclusively to my mind that our currency is not now in excess of the business needs of the country.

We have much less currency *per capita* than England or France, while the capacity of our country to absorb and profitably employ capital is immeasurably greater than either England or France. The immense extent of our territory; its almost exhaustless, undeveloped resources; the active, ambitious character of our people; the more equal diffusion of capital, and the correspondingly greater ability of all classes to obtain the comforts and luxuries of life, and to engage in enterprises for the improvement of their condition; the rapid increase of the country in population and wealth, are all advantageous circumstances over European countries favorable to the safe and profitable employment of capital, and necessitate the use of a large amount.

I admit that Europe has, under present circumstances, more currency than she needs. Whether, if her wealth were as equally distributed as ours, and all her other conditions were as favorable to the profitable employment of capital as with us, she would then, with her present amount, have a surplus, is a matter of speculation. That she now has such surplus is evident from two facts:

First. The rate of interest, that almost infallible barometer for measurement of the relations between the supply and demand for money, is in Europe generally low.

Second. European capital is constantly seeking investment in other countries.

Large amounts of this capital are invested in this country in railroads and other public works, as well as in the securities of our cities, States, and nation. We are generally largely the debtor—a circumstance showing, not that we are absolutely poor, but proving conclusively that we lack active capital.

And this lack on our part, this want of available capital, has many manifestations. The active demand for money, the high rates of interest which it commands in all parts of the country outside of the financial centers; the fact that our best securities, many of them pay-

able, principal and interest, in coin, (and selling at a discount in paper,) are allowed to go abroad; that there is an indisposition to make permanent investments even when such investments will yield large returns; that short loans are preferred to long ones, and that the rate of interest is increased with the increased time upon which money is loaned; that the disposition is to turn capital as rapidly as possible, are all evidences of a lack of money in our own country rather than of a plethora. Capital here is not seeking employment, but business is seeking capital. In Europe, the reverse is the fact.

It is true that at times money becomes plentiful, particularly in the large cities of the United States, and that then the rate of interest is comparatively low. But this condition of the money market is exceptional, and consequently there is no disposition to make permanent investments on long loans. At such times money is loaned at low rates on call or short time, that it may be recalled to meet the active demands of business when required. That scarcity is the rule and plenty the exception are facts never lost sight of in the American money market—ruling the hour even when money is most abundant in supply and least in demand.

If we have more currency than is required for business purposes why is it that this same currency, which bears no interest and not redeemable in gold, is generally worth more than United States bonds at five per cent. interest, principal and interest payable in gold? During the year 1866, while the currency was being reduced in consequence of its alleged overabundance, these interest-bearing gold bonds were selling at ninety-six cents on the dollar in this same irredeemable currency. Is it not clear that the reason why this irredeemable currency was not exchanged for these gold bonds was because of its more profitable employment as currency?

The fact is our condition is unlike that of the Old World, whose wealth has been elaborated and concentrated by ages of labor into gold and silver and other forms of value readily available to the purposes of commerce. Our wealth is principally in undeveloped forms. The raw material we have in exhaustless abundance. It is in our mines, forests, and fertile lands, in our water power and fisheries, and in the intelligent labor whose magic touch is to turn all into gold.

But to develop this wealth and make it available requires the aid of capital in the form of currency. This currency is now supplied by our Government notes, secured by a pledge of all the property of the nation. By its use we have been enabled to commence and carry forward toward completion with unparalleled rapidity a railway uniting the Atlantic with the Pacific coast, and opening up to settlement an intervening continent; to construct other railways in all parts of the country; to open and work our mines, clear our forests, till our lands, and transport their products to market; build mills, factories, and machine-shops, and operate them; in short, to develop all our varied resources, and thereby to add immensely to our national wealth.

Let us now examine the assertion that a reduction of the currency benefits the laboring poor of the country. If such were really the fact it would be one of the strongest arguments that could be adduced in its favor; for certainly justice and sound policy unite in demanding the protection of that class which produces all the wealth of the nation.

A scarcity of money, it is said, helps the laborer, in that it lessens the expense of living by reducing the cost of the necessaries of life. But the necessaries of life are the product of labor, and whenever they are high the price of the labor which produces them is also high. But it is contended that the laborer derives no advantage from this increased price of his labor, as in turn he has to pay the same relative increase on the price of all he consumes. In the supposition that he does so pay lies the fallacy of the argument; for while the laborer is the sole producer he is not the sole consumer. Of the necessaries of life he is both a producer and consumer; of the luxuries of life he is only a producer; and while the prices of the necessaries of life which he both produces and consumes advance the prices of the luxuries, which he produces but does not consume, and into the production of which the largest amount of labor enters, advance still further, and this difference favors the producer. Again, the same causes which reduce the price of the products of labor reduce not only the price but the amount of labor employed.

Generally when wages are reduced one half

the labor of the country is only half employed, even at the reduced rate. This result arises from the fact that there is always a surplus of production on hand; the supply of the great staples being seldom exhausted under any circumstances. During the war we did not reach the last bale of cotton nor the last pound of Virginia tobacco, although the source of supply was for a long time cut off. These accumulated stocks serve to carry the capitalist through the hard times which a general scarcity of money arising from any cause produces.

When money becomes scarce production is curtailed; the laborer loses employment; accumulated stocks are drawn upon to satisfy present demand; money rises in value; and the capitalists who own the money profit by the rise. The wealthy merchant or manufacturer of abundant capital falls back on his accumulated stock of merchandise, endures the loss which necessity makes inevitable, and, waiting the turn of the tide, retrieves that loss in the rise of price which is sure at length to follow the curtailment of production. The laborer, meantime, having no such resources, neither money nor merchandise, only labor, which he cannot dispose of, suffers.

The laws of political economy, uniform in their operation, never produce other results. Never in the history of this country was money abundant in active circulation, and labor at the same time not well paid and fully employed. And never was money actually scarce, or driven out of circulation by a contraction of the currency, or by any other cause of distrust or panic, without the laborers, as a class, suffering at the same time, both from inadequate compensation and inadequate employment.

This, Mr. Speaker, is the fact at the present time. Labor is neither fully employed nor adequately paid. And labor now wants pay and employment because of the condition of our finances; because of a scarcity of currency in circulation through the healthy channels of legitimate business, a scarcity attributable in part to an actual contraction of the currency, but attributable still more to the threat of contraction, which, backed by authority of law, has frightened money out of circulation into the financial centers, as terror, acting upon a man, checks the circulation of his blood and drives it back upon the heart.

Here let me remark that the policy of commencing, immediately on the close of the war, and continuing to pay off the principal of the public debt is as unwise, if not as disastrous, to the interest of the country as the policy of contracting the currency. Its effect has been to overburden the generation which carried the nation through the war, and to relieve future generations from all cost for the rich heritage to which they succeed. The South will pay but a small percentage of taxation during the present generation. Why should they be entirely relieved from a debt which their madness and folly fastened upon the nation? Why should the foreign emigrants that every year land upon our shores, taking up their abode with us, and sharing all the advantages of our Government, be entirely relieved from the payment of the debt incurred in saving and maintaining that Government in the hour of its peril? The wealth of the nation increases one hundred and twenty-six per cent. in each decade. After a period of thirty years, at this rate of increase, the same percentage of the whole wealth of the nation now required to pay the annual interest would pay the principal of the whole debt in a single year. Is it not, under these circumstances, true policy to provide for the annual interest, and allow the principal relatively to decrease with the increasing wealth and population of the country?

Sir, any argument against contraction, in view of our recent action in regard to it, may now appear to be unnecessary. Theories, though zealously urged and persistently adhered to, have been forced to give way to the stern logic of events. The business of the country, stimulated, broadened, and enlarged by the increase of the currency, refuses to be forced back into the narrow channels through which it coursed previous to the war. But notwithstanding we have repealed the law authorizing contraction by a vote of more than four to one in both Houses of Congress, this repeal is generally regarded as a temporary expedient rather than an abandonment of the policy. The theory upon which the policy was based is still adhered to, and exerts an influence tending to unsettle the public mind in regard to financial and business interests. It has been rather with a view to aid in counteracting this influence, by disproving what I regard as a popular fallacy than immediately to influence action here,

that I have examined and argued this question somewhat at length.

But, sir, while I do not believe in the wisdom of the present payment of any part of the principal of the public debt, and am opposed to the contraction of the currency, considered either as a means of reaching a resumption of specie payments or as in any way tending to improve the condition of our finances, I do not, therefore, underestimate the value to our currency, to our finances in general, to every business interest of the country, of a return to specie payments. This, sir, I believe, is the first step to be taken—the first question to be settled. Settle this question, and all others settle themselves. Settle it, and the question as to whether our bonds are payable in greenbacks or in specie, as I have already said, becomes immaterial. Settle it, and our bonds, appreciating with our currency, will stand at a premium in gold in the markets of the world. We can then raise on a long loan, at lower rates of interest, the means with which to retire the five twenty bonds. Our bonds have been, and will continue to be, measured by our own standard, which is our currency. Place that upon a gold basis, and our bonds will follow. Can we expect to negotiate a long loan on favorable terms while we make no provision for the redemption of our demand notes, and while propositions are actually before Congress to buy them in at a discount? To make this attempt would be like a merchant, with abundant means to meet all his obligations, allowing his notes to remain under protest, and then, with his credit thus impaired by his own neglect, attempting to negotiate a loan.

Sir, in my view, it is of the first importance that the currency of the country shall, as soon as practicable, be placed upon a specie basis. That is the only sure foundation for our system of paper money. Confidence will never be firmly established until our currency is regulated by maintaining its redemption in specie. Among the many plans for reaching this end, the two following, which are directly opposite to each other, have been proposed and are now before Congress. One to retire all the United States notes from circulation, supplying their place by the notes of the national banks; the other, to oblige the national banks to withdraw their notes from circulation and to supply their place by United States notes.

Let us examine these measures and see what would be their practical operation. Under the first plan, if adopted, the United States greenbacks would be gradually retired, and all finally withdrawn from circulation, their place being supplied by the notes of the national banks, which would then be the sole circulating medium of the country, and would amount to about seven hundred million dollars. The Government having returned to specie payments would require the banks to redeem in specie. Could they do it? Would they be so firmly established in public confidence as to maintain such a circulation redeemable in coin? There is no probability, scarcely a possibility, that such would be the case. What would be the result? The law which created them says they must redeem in lawful money, which would then be gold and silver only. But a higher law—that of necessity—compels them to refuse. It would then be the duty of the Comptroller of the Currency to close them up under the currency act; but this course would deprive the country of a currency, and cause wide-spread bankruptcy and commercial ruin. Would not this unavoidable suspension be legalized, as has always been the case in like circumstances, under the State-bank system, and specie payments be thus indefinitely postponed?

By the other plan the Government would compel the banks to withdraw their circulation, supplying its place with an equal amount of greenbacks, and thus giving an exclusive Government circulation of about seven hundred million dollars. In its attempt to resume and maintain specie payments on this large amount of paper the Government would have no support from what is now the national banking interest, which so largely represents the capital of the country and is the great creditor of the nation. On the contrary, this interest would be able at any time to present so large an amount of greenbacks for redemption as to compel the Treasury to suspend. Not only would it have the power thus to compel the Government to suspend specie payments, but such a course might often be favorable to its interest. Under such circumstances Wall street could on any day drive the Government to suspension.

Both these plans lead from, and not toward, specie resumption. The one proposes to double

the amount of paper currency now issued by the banks, and at the same time to withdraw the United States notes, the only medium for the redemption of this bank paper, substituting nothing in their stead. The other proposes to uproot our whole banking system, interwoven, as it is, with all the business interests of the country, and to array this great financial interest in hostility to the Government at a time when union, harmony, and an identity of interest are of the most vital importance.

I am decidedly opposed to both these plans. We are in no condition to make rash experiments. The measures of finance now to be adopted, to be successful, must not declare nor lead to a war by the Government against the banks of the country, nor to placing the banks in antagonism to the United States Treasury. Neither should they be such as to fasten upon the country as its only currency an issue of bank paper which must, from the very nature of the case, continue irredeemable for an indefinite time.

With the present mixed circulation let us see how the resumption of specie payments could be resumed and maintained. This circulation is nearly equally divided between the banks and the Government, the Government notes underlying the whole. Let the Government adopt a policy which shall gradually bring its currency to a par value with gold, completing this work by an actual redemption of its paper money in coin; let the banks be allowed to redeem their notes in this Government paper, approaching and at length made equal in value to gold. The banks holding as a reserve more than one half the United States legal-tender notes would have no motive for presenting this amount for redemption, as the notes would answer their wants as well as gold. Their interest would be to sustain the credit of the Government paper, which would then be the basis of their own circulation, and to support the Government in its efforts to sustain specie payments. Under such circumstances there could be no run upon the United States Treasury that would exhaust or even weaken its power of payment, and the inevitable result would be that not only the United States notes, but also all the other authorized currency of the country, would be brought to a par value with gold.

Mr. Speaker, in order to resume and maintain specie payments it is necessary to combine and bind by one common bond of union all the great financial interests of the country, uniting them in support of the Government, which must lead the way in resumption. To this end, I believe the present double circulation of the Government and the banks should be continued; and that experience will confirm and establish this continuance as a part of our settled financial policy. With a view to the attainment of these objects, at the commencement of the present session I introduced the following bills, which were referred to the Committee on Banking and Currency. I here introduce them, with some amendments, which I intend to propose, should they come up for action, and to them I now desire to call the attention of the House:

A bill to provide against undue expansions and contractions of the currency.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury be, and is hereby, authorized and directed to issue United States coupon bonds to an amount not exceeding $500,000,000, of such denominations, not less than $100, or the multiple of $100, as the Secretary shall prescribe, payable in lawful money, on demand, bearing interest at the rate of four per cent. per annum, payable quarter yearly in lawful money, and subject to State, municipal, and local taxation; said bonds to be issued to any person paying therefor the par value thereof in lawful money at the Treasury of the United States, and shall be redeemed by the United States at any time twenty years after their first issue and not earlier, except at the option of the holder, as hereinafter provided, and at the expiration of said twenty years shall be paid in coin.

SEC. 2. *And be it further enacted*, That the bonds issued under the provisions of this act shall be signed by the First or Second Comptroller or the Register of the Treasury, and countersigned by such other officer or officers of the Treasury as the Secretary of the Treasury may designate, and shall be issued under the seal of the Treasury Department. The interest coupons may be signed by such person or persons, or executed in such manner, as may be designated by the Secretary of the Treasury.

SEC. 3. *And be it further enacted*, That the Secretary of the Treasury shall take up said bonds whenever presented for that purpose at the Treasury of the United States, paying therefor, in lawful money, the par value thereof and the accrued interest thereon, to the amount of any matured and unpaid coupon thereto attached; and the bonds so taken up may be reissued in manner provided for their first issue, the interest which may have accrued on any coupon thereto attached, at the time of said reissue, being paid by the purchaser in addition to the par value of the bonds; and said bonds may continue to be reissued as before at any time or times during the period of ten years, after which they shall not be again reissued.

A bill to provide for the gradual resumption of specie payments.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That on and after the 1st day of May, 1868, the United States notes now outstanding shall, when received in the course of ordinary transactions at the Treasury of the United States, be destroyed under the direction of the Secretary of the Treasury, and in lieu thereof the Secretary of the Treasury is hereby authorized and directed to issue new United

States notes of the same denominations as those in lieu of which they are issued, payable in coin on demand, at the Treasury of the United States, at and after one year from date; and all notes of national banks so received at the Treasury shall, under such regulations as the Secretary shall prescribe, be redeemed by the banks issuing the same in United States legal-tender notes, and the last-named notes when received at the Treasury shall be destroyed, and in their stead notes authorized by this act shall be issued as hereinbefore provided. The whole amount of the new notes authorized by this section shall not exceed the amount of United States notes now outstanding, exclusive of fractional currency.

SEC. 2. *And be it further enacted*, That notes authorized by this act shall be legal tender for the redemption of national bank notes, and for all other purposes, by and to all parties, except by the United States, in payment of other such notes as have already matured, or in payment of the interest on the public debt where such interest is now, or hereafter may be, payable according to law in coin, and also except before maturity in payment to the United States of duties on imports. And in case of the receipt in the Treasury before or after maturity, or the redemption at and after maturity, of any of the notes authorized by this act, the Secretary of the Treasury is hereby authorized and directed to reissue the notes so received or redeemed, or to issue an equal amount and no more of other like notes, payable as hereinbefore provided, on demand, at and after one year from date, except as provided for in section three of this act.

SEC. 3. *And be it further enacted*, That the Secretary of the Treasury is hereby authorized, after the payment in specie herein provided for shall have actually commenced, at his discretion, to issue the notes hereby authorized for periods of less than one year, but not less than three months. He shall also issue new notes of like denominations, in lieu of any notes herein authorized which shall have been redeemed; and he is also authorized to purchase at any time coin requisite to enable him to redeem such notes; and in payment therefor he may, at his discretion, issue to an amount not exceeding fifty million dollars bonds of the United States in such form as he may prescribe, of denominations not less than fifty dollars, payable at any period not more than twenty years from date of issue, redeemable at the pleasure of the Government at or after five years from such date, and the interest on such bonds shall be payable semi-annually in coin, or in other lawful money, at the rate, if payable in coin, of not exceeding six per cent. per annum, if in other lawful money not exceeding seven and three tenths per cent. per annum; and the rate and character of interest shall be expressed on all such bonds: *Provided*, That no such bonds shall be issued at less than par in lawful money of the United States.

SEC. 4. *And be it further enacted*, That an accurate account shall be kept by the Treasurer of the United States of the amount and denominations of all the United States notes received into the Treasury of the United States and destroyed, and he shall also keep an accurate account of the amount and denominations of notes issued under authority of this act. The United States notes authorized by this act shall be in such form as the Secretary of the Treasury may direct, and shall bear the written or engraved signatures of the Treasurer of the United States and the Register of the Treasury, and also, as evidence of lawful issue, the imprint copy of the seal of the Treasury Department, which imprint shall be made under the direction of the Secretary, after said notes shall be received from the engravers and before they are issued.

SEC. 5. *And be it further enacted*, That from and after the passage of this act no gold nor silver certificates shall be issued by the United States shall be sold or paid out from the Treasury, except in payment of lawfully authorized gold certificates, or in payment of interest on the public debt, where the same is, according to law, payable in coin, or as authorized in this act, or otherwise, expressly by law. But the exchange of bullion for coin with the United States mints is not hereby made unlawful.

These are the same bills, with some slight amendments, introduced by me at the last session of the Thirty-Ninth Congress. But, contraction being then regarded as the only road to resumption, they failed to obtain the honor of a hearing. As we are now about to take a new departure and adopt a new policy, I trust they may be more successful, and receive that consideration which the importance of the subject demands.

The bill "to prevent undue expansion and contraction of the currency" provides for regulating the volume of the currency by the operation of the laws of trade and the business wants of the country rather than by arbitrary enactments or the exercise of a discretionary power by the Secretary of the Treasury, and also provides a means for the investment of capital temporarily idle—liberating it when the needs of business demand, thus making the Government greenback currency as flexible and adaptable to the business wants of the country as that of the national banks.

This bill provides for the issue of coupon bonds to the amount of $200,000,000, of denominations of $100 and the multiple of $100, payable on demand at the Treasury of the United States, with interest quarter yearly at the rate of four per cent. in lawful money. It also provides that these bonds shall be issued to any person applying for them at the Treasury of the United States upon paying for the same at their par value and the accrued interest thereon in United States notes; and that the holder of the bonds may reëxchange them at his option, receiving for them the par value and accrued interest to the amount of any overdue and unpaid coupon. These bonds have no connection with those representing the funded debt. They are all of one class, and all convertible at the will of the holder. There can be no confusion as to the amount out. There must always be just the amount of bonds to supply the demand, and just greenbacks enough in the Treasury to redeem all the bonds which can be presented. There is no casting of interest on incoming bonds, as the over-due and unpaid coupon, added to their price, will just represent the amount due. All accrued interest on a bond presented for redemption, less than a full coupon, would be so much gain to the Government, and would help to pay the expense of making the conversion. To a great extent, probably, the bonds would come in only on quarter days. Only on issuing would it be necessary to compute interest.

The substantial features of this bill have been adopted in several bills which have been introduced during the present session. They have been incorporated into the funding bill recently reported to the Senate by the Finance Committee, (section five,) and also by the gentleman from Massachusetts [Mr. BUTLER] into his "financial scheme," and by him very happily christened the "automatic, self-adjusting system of finance."

This bill having received such distinguished indorsement here, and having been approved by the leading journals of the country, I confidently expect to see it enacted into law during the present session; and, believing it has not been improved by the alterations to which it has been subjected, I trust it may be passed substantially as introduced.

The Senate bill, to which I have alluded, provides for the consolidation of the whole national debt into one description of bonds, registered or coupon, and then by section five, which contains the principal feature of this bill, allows such bonds to be converted and reconverted to the amount of $400,000,000. There are several objections to this section of the Senate bill. First, as is so clearly set forth in the report of the Finance Committee accompanying the bill, the currency should be kept as distinct as possible from the funded debt. Second, there is no necessity for having these convertible bonds bear the same rate of interest as the bonds which represent the funded debt. Third, the bonds representing the funded debt must be paid, principal and interest, in coin, a portion of them must be registered, and provision made for changing from coupon to registered under certain circumstances. The interest is made payable semi-annually, which would involve great labor and inconvenience in making the transfer, and also labor and delay in casting the interest, day by day, as the bond may be presented. Fourth, there would be no gain in interest to the Government to pay for the transfer and retransfer of the bonds. Fifth, the amount of bonds out being about twenty-five hundred million dollars, and only $400,000,000 convertible and reconvertible, no one would have any assurance that his bonds could be exchanged, as the limit of $400,000,000 might be reached just when the holder of the bond might want to convert into money. The bonds, being exempt from all taxation, would be purchased at the Treasury just before local assessments of taxes were made, kept long enough to get the advantage of the exemption, and then reconverted into money.

The gentleman from Massachusetts has, in adopting the principles of the bill, only amended it so far as to provide for the issue of an additional $300,000,000 legal-tender notes. The proposition involved in this amendment is simply to issue an additional $300,000,000 greenbacks with out any provisions for, and apparently without any intention of, redeeming them in specie. To this I am opposed. We should first reach specie payments and then supply the country with just so much currency as can be maintained on a specie basis and no more.

The second bill, that to provide for a gradual resumption of specie payments, proposes to effect that object by gradually appreciating the whole volume of the paper currency to a par with gold, and then to continue it in circulation, redeeming whatever may be presented from time to time with the reserve of coin in the Treasury and again reissuing it.

The bill provides that from and after the 1st day of May, 1868, all United States legal-tender notes shall, when received into the Treasury of the United States in the ordinary course of business, be destroyed; and that all the circulating notes of the national banks so received shall be redeemed by the banks issuing the same in United States notes, which notes shall also be destroyed; and in lieu thereof there shall be issued a like amount of new United States notes, payable in coin on demand at the Treasury of the United States after one year from date of issue; that the new notes shall be legal tender for the redemption by the banks of their circulating notes, and for all other purposes except for the payment of duties on imports before maturity and the interest on the public debt where such interest is payable in coin; that they shall not be legal tender from the United States after maturity, but may be issued as the equivalent of coin to such of the public creditors as may elect to receive them. The Secretary is authorized, if he deem it expedient, after the payment in coin of the notes first issued shall have com-

mand, to issue these notes payable in coin on a shorter time than one year, but not on less than three months. He is also authorized to purchase coin to the amount of $50,000,000 in case measures may be necessary to enable him to maintain specie payments.

What will be the operations of this measure if it becomes a law?

The currency receipts at the Treasury for the fiscal year ending June 30, 1867, were in round numbers $314,000,000. Limiting the collection of internal revenue for the next fiscal year to an amount sufficient to pay the current expenses of the Government, exclusive of the interest on the public debt, the currency receipts ought not, under an economical administration, to exceed $180,000,000. Assuming $180,000,000 to be the amount of currency receipts at the Treasury for the next fiscal year, then this amount, being an average of $15,000,000 per month, will by the 1st day of May, 1869, have been converted into notes payable in coin on demand, after one year from date of issue, in the following manner: during the month of May, 1868, $15,000,000 of the present legal-tender notes will be by daily process changed into notes redeemable in coin in all the month of May, 1869. During the following month another like amount will be exchanged, and the issue of both months will run on toward their respective times of maturity. By the 1st day of May, 1869, $180,000,000 in coin notes will have taken the place of a like amount of the present greenbacks. This volume of coin notes will then range in maturity from a single day to a full year, and the issue already ripe (the $500,000 issued May 1, 1869) will on May 1, 1869, be redeemable in coin, and a like amount will become redeemable on each following business day of the year, making the total amount of notes maturing from day to day and redeemable in coin up to May 1, 1870, $180,000,000.

The same process would be repeated (if the greenbacks had not meantime appreciated to a par with gold) during the year 1870; and on May 1 1871, all the United States notes now outstanding would have become redeemable in specie at the Treasury of the United States. In other words, after the 1st day of May, 1869, the whole volume of the Government currency would become redeemable in specie at the Treasury, at the rate of $15,000,000 per month, until May 1, 1871, at which time the whole would have become so redeemable.

We have now about one hundred million dollars in coin in the Treasury, which is not decreasing but gradually and steadily increasing at a rate that it would be a moderate estimate to assume would add $30,000,000 to the amount between this time and the 1st day of May, 1870. Add to this $50,000,000 in coin which the Secretary is authorized to purchase, if required, and we have a dollar in gold for every paper dollar redeemable up to May 1, 1870. Of course, with a continued reissue of the coin-notes, after they have been redeemed, the same then being redeemable on demand and thus at par with gold, no such an amount would be presented. Confidence in the ability of the Government to redeem would keep them in circulation.

The percentage of coin in the Treasury to the whole issue of United States notes in circulation would be nearly double that ever held by the banks for the redemption of their circulation, while the confidence of the people in the ability of the Government is, of course, very much greater than was ever reposed in the banks.

I firmly believe that the presentation and redemption of the first $15,000,000 of these notes would so establish public confidence as favorably to settle the whole question by reducing the margin between all the greenbacks and gold to a nominal figure.

With the steady conversion of the greenbacks into notes redeemable in specie at a specified time, and with the certainty of the ability of the Government to redeem them as promised, the whole volume of the currency would begin to appreciate. The hoarded specie would come out to realize the premium, which would every day be reduced, and at no distant day be entirely extinguished. The notes, payable in specie as they approached maturity, would probably be temporarily hoarded, but only to liberate the same amount in specie. As fast as they matured and became redeemable in coin they would remain in circulation as specie; being received for payment of duties on imports and convertible into coin at the will of the holder, they would be received in payment for interest on the public debt and for all other purposes for which coin is now required. Whenever any amount of these notes was

actually redeemed the same amount of coin would be liberated from the Treasury, where it now lies dormant, and become useful to the community. Once place this paper circulation of the Government upon a specie basis, and establish public confidence in its permanence, and we have practically added $350,000,000 of specie to the amount now in circulation, and thus furnished a medium for the redemption of national bank notes.

Let us now see how the national bank notes are to be effected by this mode of resumption. While the process of conversion went on, and perhaps until the maturity of all the coin notes, they would probably be preferred to the national bank notes; but this preference would only tend to retire the former temporarily from circulation and to impart an increased activity to the circulation of the latter. The national bank notes would still be legal tender for the same purposes as now, and although the United States notes might appreciate the fastest, the bank notes must be drawn up with them until all reached the high level of specie redemption. During the period of conversion about nine million dollars per month of the national bank notes would probably be received into the Treasury, and this amount the bank by which they were issued would be obliged to redeem in United States notes, the currency receipts at the Treasury being about three fifths in national bank notes. This would be but three per cent. of their circulation, and by repealing the provisions in sections thirty-one and thirty-two of the national currency act, which require deposits by all the banks in the country at certain points named for the redemption of their circulation, they would be obliged to redeem only at the Treasury of the United States and at their own counters.

A monthly redemption by all the banks of their circulation which had found its way into the Treasury of the United States, and a gradual appreciation of the currency in which the redemption is to be made until it becomes equal to specie, would certainly be more impartial and more beneficial to the public than the present system, which compels all the banks in the country to keep large deposits with banks designated at certain points for the redemption of notes that are never presented for redemption, the deposits being loaned to swell speculations in stocks and merchandise. It may be objected that it would be inconvenient for the Government to exchange, and impose some hardship upon the banks to compel a redemption of their notes to the amount of $9,000,000 per month. Grant that it may be so. We must expect to be subject to some inconvenience in effecting so great and beneficial a change in our financial affairs. While I do not agree with the gentleman from Pennsylvania [Mr. BROOMALL] that it is necessary to paralyze business, check productive industry, destroy confidence, and pauperize the labor of the country in order to reach specie payments, I do expect the effort to cost something. That we can resume specie payments, not only without any financial revulsion, but with a healthy revival of business, if we will make an honest effort in that direction, I firmly believe.

When the United States notes have all become redeemable in coin on demand the banks will be obliged to redeem their circulation with them, and for that purpose they will require from one hundred to one hundred and fifty million dollars. These notes, being as good as specie to the banks, will not be presented at the Treasury, but will be kept as a reserve for the redemption of their own notes; while the national bank notes, being legal tender for most purposes and convertible into notes redeemable in specie, will only be presented for redemption when specie or its direct equivalent is wanted for actual use.

Mr. Speaker, a resumption of specie payments cannot be secured by any mere arbitrary enactment that it shall take place immediately or on any specified day in the future; not by writing at once over the door of the Treasury "Specie payments are resumed," nor by giving an order that such inscription shall be placed there on the 1st day of January, 1869, nor by attempting the financial impossibility of borrowing $250,000,000 of coin in Europe, where our bonds are now selling at about thirty per cent. discount, and removing it to this country with the expectation of retaining it as the permanent basis of our paper money. If we promise to resume to-morrow the public know the promise cannot be kept. The margin of forty per cent. existing between gold and paper cannot be extinguished in a day. The chasm between our paper currency and gold cannot be leaped; it must be bridged. If we promise to resume a year hence, with no

rovision for appreciating, in the meantime, ur paper toward a par with gold, and no rovision guarding against the otherwise irre- istible effect of a sudden panic after the re- umption has taken place, the public will not lieve that we can perform our promise; and his want of faith insures a failure. And, sir, ny failure in an attempt to return to specie ayments would so impair public confidence s to retard resumption for years. We must ot begin until we can go through. We should ake no attempt that is not morally certain to ucceed. If we undertake only what the finan- ial world regards as practicable to be accom- lished we shall so inspire confidence as to nsure success. To inspire confidence rather han to create distrust should now be the first im of our financial policy.

Here let me call attention to the difference etween the operation of these measures which have proposed and that of the contraction olicy. That policy produces stringency of the money market and inspires distrust. These measures bring relief to both banks and business interests, summoning and rallying them to the support of the Government in its effort to restore the currency to a firm basis. The policy of those favoring contraction has been to decry, depreciate, and discredit the national currency. These measures, on the other hand, accredit the national paper by adapting its circulation to the business wants of the country, and by declaring that every dollar thereof shall be paid in coin, in hard money, at a definite and no distant time. Moreover, they propose nothing but that which can be accomplished; do not expose the country to the hazard of a disastrous failure; are not violent and abrupt, but gradual and gentle in their operation. Their passage would, I believe, at once establish the currency upon a firm basis of public confidence and remove from the public mind many of the doubts which now darken our financial future.

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